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UNCLAS SECTION 01 OF 03 ASUNCION 000972

SIPDIS

STATE FOR WHA/BSC, WHA/EPSC, EB/TPP/IPE
STATE PASS TO USTR FOR LYANG
USAID FOR AA/LAC ADOLFO FRANCO
TREASURY FOR OSIA MAUREEN WAFER
COMMERCE ITA SARAH COOK
NSC FOR MIKE DEMPSEY AND SUE CRONIN
SOUTHCOM FOR POLAD
US SOUTHERN COMMAND MIAMI, FLORIDA

E.O. 12958: N/A

TAGS: [ECON](#) [KIPR](#) [PREL](#) [PA](#)

SUBJECT: IPR INVESTIGATIVE UNIT'S ACTIVITIES IN THE FIRST
HALF OF 2005

Ref: 05 Asuncion 595

1. Summary. In its first 6 months of 2005, the Specialized Technical Unit (UTE) of the Ministry of Industry and Commerce (MIC), an IPR enforcement unit assisted with INL funds, conducted 23 operations in Asuncion, Ciudad del Este, and other parts of the interior. In all, over 275,000 DVDs, CDs, and video games, over 23,000 printer cartridges, and over 30,000 cell phone products were seized. The operations were not limited to these specific products; falsified products ranging from Coca-Cola bottles to sporting equipment were also found. With only two full-time members of UTE during this period, the results demonstrate the dedication and effectiveness of the unit's two founding members, as well as the GOP's continued political support for firm action against IPR violators. Post expects the unit to grow to at least ten vetted members by September. End Summary.

2. This cable summarizes all operations conducted in the past six months by the Specialized Technical Unit (UTE) of the Ministry of Industry and Commerce (MIC) that we are assisting with an INL grant. They are presented in chronological order starting with late December, 2004 and the details were provided by the UTE. The locations are described as Asuncion, Ciudad del Este, and Interior (representing the rest of the country). UTE had two members for this entire period. New candidates are in the process of taking polygraphs, and we expect the unit to grow to at least ten members by September, when the unit's new office space should be completed. Beginning in the first quarter of FY2006, we expect to see a significant increase in enforcement actions.

Descriptions of Individual Operations

3. Most of the leads for the raids described below came from the private sector, either the regional arm of the International Federation of the Phonographic Industry (IFPI), or from private trademark protection companies such as US-based McCabe and Associates.

4. Operation Carai Pyjare 1: After a nighttime raid in Asuncion, the MIC determined that the premises were dedicated exclusively to the mass production and commercialization of phonographic materials. These products would then be given to traveling salesmen and thus distributed to the main markets in various towns. In all, 10,000 DVDs and CDs were confiscated.

5. Operation Truco: The 3rd floor of an apartment building, in the Interior, was being used to mass-produce phonographic materials. The attorney general's office took control of the goods to aid with the prosecution of the case. Around 36,000 DVDs and CDs were seized along with a computer used to download and produce pirated material.

6. Operation Bat: The company in question, operating in the Interior, was suspected of falsifying British American Tobacco products. Despite the presence of industrial machinery, no convincing evidence was found supporting this claim and the machinery did not appear to have been used recently. The MIC was acting on a lawsuit brought against the company by lawyers of British American Tobacco.

7. Operation Turco: A container, valued at around US\$800,000, full of counterfeit Nintendo games, Nokia products, and Sony PlayStation games, was seized in Asuncion. The goods were of Chinese origin.

8. Operation Carai Pyjare 2: The operation was carried out in Asuncion. It was deemed that the premises were dedicated exclusively to the mass production and commercialization of phonographic materials. 20,000 DVDs and CDs, along with 200,000 DVD and CD covers were seized. All products were

then transferred to the Attorney General's office.

9. Operation Carai Pyjare 3: two different locations were raided in Asuncion. Both were found to be dedicated solely to phonographic piracy. 10,350 DVDs and CDs were confiscated, along with 18,000 DVD and CD covers and 2 computers used to download and produce pirated materials.

10. Operation Pelicano 1: five different locations in two shopping malls were investigated in Ciudad del Este with the help of the Economic Crimes Unit (ECU) of the Public Ministry. None of them had a single valid bill of sales and all carried pirated goods. Before the team entered, the owners would leave employees in charge of the store, who were then instructed to cooperate but not reveal anything about the business. Local policemen and documents recovered from the stores indicated Lebanese ownership. In all, over 22,000 DVDs, CDs, and Sony PlayStation video games were seized.

11. Operation Monte: A large container containing 1,225 boxes of miscellaneous electronic goods was stopped by Customs in the Interior. Valued at US\$1 million, all goods were of Chinese origin.

12. Operation Mate: A container of falsified Nokia and Motorola cell phone covers was seized by customs in the Interior. Valued at US\$1 million, the products were of Chinese origin.

13. Operation Rodeo: This operation in the Interior included 3 houses found to be producing pirated phonographic material, four stores near the bus station selling pirated goods, and a photocopy shop that made the falsified covers. At the time of the report a full inventory of goods seized was not available. UTE did notice that the bus station management had leased out the areas to the offending stores and is looking into the connection.

14. Operation Semana Santa: (reftel) 3 containers of CDs and DVDs from Uruguay were investigated in Asuncion and it was concluded that the importer had claimed several hundred thousand DVDs as CDs. Since the tax on CDs is less, the importer evaded taxes totaling \$341,000. Two customs inspectors and three MIC inspectors lied about their findings. Their dismissal and criminal charges are still being pursued by the MIC.

15. Operation Otoal: The operation took place with the help of a local Special Operations Unit. The store contained 9,900 pirated cell phone covers, batteries, and keyboards, all of which were confiscated by the Attorney General's office.

16. Operation Bono: In addition to cell phone batteries and covers, UTE found several other generic products at the location in the Interior. All goods seized were valued at \$121,250.

17. Operation Villetana: The seized container was turned over to authorities in the Interior after the importer claimed, and proved, that the contents were not those he had originally requested. There was evidence that only 503 of the original 791 boxes of diverse software applications were in the container at the time of investigation.

18. Operation Juez: In the first part of the operation, a store in Ciudad del Este selling falsified HP and Epson toner and ink cartridges was raided, resulting in the confiscation of 198 ink cartridges. The second part of the operation, the raid of an alleged sixth floor storeroom, was unsuccessful because the judge initially failed to authorize entrance into the sixth floor of the building. When authorization was finally granted, nothing was found in the room.

19. Operation Lustro: The goal of this operation, in the Interior, was to identify a distributor of falsified HP and Epson toner and ink cartridges. Those were not found, but hundreds of boxes of pirated sports equipment and toys were recovered from the container initially investigated.

20. Operation Pelicano 2: This large operation consisted of raids in 6 different commercial locations, each producing and selling pirated phonographic material in Ciudad del Este. One of the owners was identified as a Peruvian national with connections to Lebanon. Many of those involved evidently were of Arab origin and are now candidates to be deported from the country by the Department of Immigration. All of the stores failed to produce legal bills of sale for any of their products. Of note, several of the stores had been raided in the past, after which they would restock with new pirated products and continue doing business.

121. Operation Pille 1: Ministry of Industry and Commerce (MIC) inspectors conducted a verification of businesses registered with the MIC. Of the 27 Import/Export businesses registered in Ciudad del Este and included in this round of inspections, 15 of them were not located in the address on file.

122. Operation Coca-Cola: The objective of this raid was to identify a bottling operation falsely producing Coca Cola products in Asuncion. Approximately 1000 bottles were found containing the Coca-Cola brand name as well as a large number of bottle caps with the same logo.

123. Operation Carai Pyjare 4: UTE investigated 16 Asuncion businesses suspected of producing and commercializing pirated phonographic material. Over 117,000 CDs were confiscated during the operation. Three people were identified as supposed leaders of the pirating operations and the attorney general's office is pursuing formal charges against them.

124. Operation Funebre: This raid took place at a funeral home in Asuncion where space was being rented out to producers of pirated phonographic materials. In addition to around 40,000 CDs containing domestic and international music, investigators also found fake domestic currency and an automatic pistol. The operation was carried out in cooperation with the ECU.

125. Operation Kaaguy Rory: two out of the five Ciudad del Este houses investigated showed proof of falsification of Epson ink cartridges with a total value of around \$300,000. One man was arrested and all products were confiscated by the Attorney General's office.

126. Operation Duve Libra: The original goal of the mission was to find evidence of Sony PlayStation game duplication and commercialization in a Ciudad del Este business. Although the evidence against the company was suspicious, nothing concrete was found to implicate it in illegal piracy. The company was, however, found to be undervaluing its imports and thus evading import taxes. A subsequent fine was issued for tax evasion.

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